

NOTE 13 – BONDS AND NOTES PAYABLE – DISCRETELY PRESENTED COMPONENT UNITS

Bonds and Notes Payable

Bonds Payable

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State.

The State universities and the Michigan State Housing Development Authority utilize June 30 fiscal year-ends. The Farm Produce Insurance Authority utilizes a December 31 fiscal year-end, and the remaining discretely presented component units have September 30 fiscal year-ends.

The following table summarizes debt service requirements of the discretely presented component units as reported in their separately issued financial statements, utilizing their respective fiscal year-end (in millions):

<u>Fiscal Years Ending In</u>	<u>Principal</u>	<u>Fixed Interest</u>	<u>Estimated Interest</u>	<u>Total</u>
2008	\$ 320.0	\$ 430.6	\$ 5.4	\$ 756.1
2009	321.2	415.1	5.0	741.3
2010	381.2	400.9	5.0	787.1
2011	303.4	383.6	4.6	691.5
2012	314.4	361.3	4.4	680.1
	<u>1,640.1</u>	<u>1,991.6</u>	<u>24.4</u>	<u>3,656.1</u>
2013-2017	1,832.6	1,589.1	18.2	3,440.0
2018-2022	1,649.9	1,121.8	10.4	2,782.1
2023-2027	878.1	799.4	4.2	1,681.7
2028-2032	746.1	626.7	.4	1,373.1
2033-2037	724.0	478.3	-	1,202.3
2038-2042	1,247.1	301.6	-	1,548.7
	<u>7,077.8</u>	<u>4,916.9</u>	<u>33.1</u>	<u>12,027.9</u>
Total	<u>8,718.0</u>	<u>\$ 6,908.5</u>	<u>\$ 57.5</u>	<u>\$ 15,684.0</u>
Deferred amount on refunding	(84.0)			
Unamortized discount	(.1)			
Unamortized premium	144.9			
Total principal	<u>\$ 8,778.7</u>			

Included in the table above is \$1,103.2 million of demand bonds comprised of \$56.4 million issued by the Michigan Higher Education Student Loan Authority, \$878.8 million issued by the Michigan State Housing Development Authority, and \$168.0 million issued by the State universities. Defeased bonds outstanding of the Michigan Municipal Bond Authority, Michigan Higher Education Student Loan Authority, and Michigan State Housing Development Authority are not reflected in the table above.

Notes Payable

The Michigan Municipal Bond Authority has short-term notes outstanding of \$711.5 million as of September 30, 2007.

The Land Bank Fast Track Authority has long-term notes outstanding of \$.2 million as of September 30, 2007. State universities have short-term notes outstanding of \$.6 million and long-term notes outstanding of \$18.5 million as of June 30, 2007.

Unrecorded Limited Obligation Debt

Certain State financing authorities have issued limited obligation revenue bonds which are not recorded as liabilities in these statements because the borrowings are, in substance, debts of other entities. The State has no obligation for this debt. Typically, these borrowings are repayable only from the repayment of loans, unloaned proceeds and related interest earnings, and any collateral which may be provided.

The Michigan Higher Education Facilities Authority (MHEFA) issues limited obligation bonds to finance loans to private nonprofit institutions of higher education for capital improvements. As of September 30, 2007, MHEFA had bonds outstanding of \$628.6 million. Of this amount, \$62.2 million of bonds have been defeased in substance, leaving a remaining undefeased balance of \$566.4 million.

The Michigan Strategic Fund (MSF) issues industrial development revenue bonds (taxable and tax exempt), which are not recorded as liabilities. The total amount of bonds issued for the period January 1, 1979 through September 30, 2007, was \$7.4 billion. The amount of tax exempt bonds issued during the fiscal year 2007 was \$329 million. There were no taxable bonds

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issued in fiscal year 2007. These borrowings are, in substance, debts of other entities and financial transactions are handled by outside trustees.

The Michigan State Hospital Finance Authority (MSHFA) has issued \$6.4 billion of no commitment bonds as of September 30, 2007. Of the above amount, \$1.3 billion have been defeased in substance, leaving a remaining undefeased balance of \$5.1 billion. Economic gains and accounting gains and losses resulting from in-substance defeasance, inure to the benefit of the facility for which the bonds were issued, and accordingly are not reflected in the Authority's financial statements.

The Michigan State Housing Development Authority (MSHDA) has been authorized to issue up to \$800.0 million of limited obligation bonds to finance multi-family housing projects. At June 30, 2007, limited obligation bonds had been issued totaling \$771.1 million, of which twenty issues totaling \$235.1 million had been retired.

The MSHDA entered into several interest rate exchange agreements for a total of \$955.9 million as of June 30, 2007, representing several bond series. In accordance with the exchange agreements, MSHDA pays fixed rates ranging from 3.5% to 7.7%.

The Michigan Public Educational Facilities Authority (MPEFA) issues limited obligation bonds to finance loans to qualified public educational facilities for capital improvements. As of September 30, 2007, MPEFA had bonds outstanding of \$80.3 million, all of which are undefeased.

Short-Term Debt Activity

Western Michigan University used its revolving line of credit to finance a new student information system. Activity on the line of credit during Western Michigan University's fiscal year ended June 30, 2007, was as follows (in millions):

	<u>Beginning Balance</u>	<u>Draws</u>	<u>Payments</u>	<u>Ending Balance</u>
Line of Credit	\$8.3	\$ -	\$1.5	\$6.8